

SETTLEMENT AGREEMENT BETWEEN  
THE DISTRICT OF COLUMBIA AND CVS CORPORATION

1. This Agreement is between the District of Columbia ("the District") and CVS Corporation ("CVS"), a corporation organized under the laws of Delaware, with headquarters in Woonsocket, Rhode Island. The Agreement has the purpose of amicably resolving the disputes giving rise to the litigation described below in a way that avoids further litigation and substantial incidental costs for both parties, and creates a charitable benefit to aid low income citizens of the District of Columbia to pay for prescription pharmaceuticals.
2. The District has filed a Complaint in the Superior Court for the District of Columbia (attached as Exhibit 1) alleging an agreement in restraint of trade, violating the District of Columbia Antitrust Act, D.C. Official Code § 28-4502 (2001), and monopolization of the pharmacy business in the Palisades neighborhood, in violation of the District of Columbia Antitrust Act, D.C. Official Code § 28-4503 (2001). The Complaint alleges, *inter alia*, that Defendant CVS Corporation, with its subsidiary MacArthur Boulevard CVS, Inc., as the owner/operator of a pharmacy located at 4859 MacArthur Boulevard, NW, Washington, DC, illegally acquired market power when it acquired certain assets from Anchor Pharmacies, Inc., the former owner/operator of a pharmacy located at 4883 MacArthur Boulevard, NW, Washington, DC. The District also alleges that, by virtue of the acquisition of assets from Anchor, CVS monopolized, or attempted to monopolize, the local pharmacy market in which it operates. The District further alleges that as a consequence CVS may significantly raise price and/or reduce quality of prescription pharmaceuticals in a specified area of the District of Columbia, without significant competitive restraint.
3. CVS has vigorously denied and contested all the allegations of the District described above. It has filed an Answer and other pleadings denying the allegations, and supporting its position that all of the challenged conduct was lawful and proper action in pursuit of legitimate business interests. It enters into this Agreement solely to bring about a resolution of the claims of the District without further litigation and substantial incidental costs. This Agreement and the monetary settlement do not constitute an admission by CVS or evidence of any liability or wrongful conduct.
4. CVS has agreed to settle because of the representation and agreement by Plaintiff that the greater part of the settlement money paid by CVS will be put to the charitable use of aiding low income citizens of the District of Columbia to obtain access to prescription drugs, in a manner consistent with CVS's commitment to provide access to prescription medications to all residents of the District of Columbia. Plaintiff shares that commitment, and represents and agrees that the greater part of the money to be paid by CVS to settle this matter will be put to a charitable use that will aid low income citizens of the District of Columbia to obtain access to prescription drugs, in an amount and in a manner more fully described below. Plaintiff believes that such charitable use of the

settlement moneys is consistent with the law enforcement goals of the litigation. Further, Plaintiff believes that agreement to the settlement is in the best interests of the citizens of the District because it avoids the costs and risks of further litigation.

5. Within 30 days of this date, CVS agrees to pay \$125,000 to the District of Columbia for deposit to the District of Columbia Antitrust Fund (D.C. Official Code, § 28-4516 (2001), and \$350,000.00 to the Pharmaceutical Resource Center (Catholic Charities), or similar charity designated by the District's Attorney General, with express conditions ensuring that the funds be used to benefit needy consumers of prescription medications in the District of Columbia.

6. In addition, CVS agrees that for a three-year period from the effective date of this Agreement, it will not change the internally determined CVS price zone designation of the CVS pharmacy located at 4859 MacArthur Boulevard, NW, Washington, DC; provided, however, that nothing in this agreement shall prevent CVS from placing the MacArthur Boulevard pharmacy in an internally determined CVS price zone with lower aggregate pharmaceutical prices.

7. CVS agrees that for a three-year period from the effective date of this Agreement, it will continue to provide retail customer delivery service from the CVS pharmacy located at 4859 MacArthur Boulevard, NW, Washington, DC and that it will not increase the current price charged for delivery from that location.

8. The District will dismiss the Complaint described above, and CVS, its parent corporations, subsidiaries, affiliates, predecessors, successors and assigns, as well as its current and former directors, officers, employees and agents, are released from any injunctive, monetary or administrative claim, action, suit or proceeding the District may have as a consequence of the allegations of the filed Complaint described above.

9. Unless otherwise stated in writing subsequent to the effective date of this Agreement, all notifications and communications made to CVS pursuant to this Agreement shall be made to signatory counsel below.

10. This Agreement, including its exhibit, constitutes the complete agreement between the parties and may not be amended except by written consent of the parties.

Signed this twenty-first day of April, 2005:



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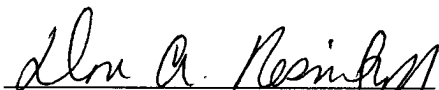
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